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# KEY TERMS

## COMPULSORY

Required by law to participate.

## INDIVIDUAL EQUITY

The extent to which the individual gets a reasonable return on his/her investment in Social Security.

## NEEDS TEST

A requirement that an individual prove need before assistance may be given.

## SOCIAL ADEQUACY

The attempt to provide an adequate level of benefits to program participants based on earnings. Should be distinguished from needs-based public assistance program under which need is conditional to participation.

## VOLUNTARY SYSTEM

A method under which each individual decides whether or not to participate.

## WEIGHTED BENEFITS

A benefit formula which replaces a higher percentage of earnings for lower-paid workers and families.

## WORK-RELATED

Directly associated with an individual's level of earnings at a job or jobs.

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## FIVE BASIC PRINCIPLES GUIDING SOCIAL SECURITY

- ☐ Statutory right (no needs test)
- ☐ Work-related benefits
- ☐ Contributory financing
- ☐ Compulsory participation
- ☐ Weighted benefits

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# COMPULSORY PARTICIPATION

The following benefits result from Social Security as a compulsory program in which employees, employers, and the self-employed are required to participate:

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Benefits assured

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Benefits backed by government

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Benefits automatically rise with cost of living

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Benefits alleviate economic insecurity

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Benefits provide continuing income to families

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## STATUTORY RIGHT (NO NEEDS TEST)

Entitlement to benefits defined in the  
law, based on covered earnings

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Workers do not have to prove need

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# WORK-RELATED BENEFITS

Tax amount based on earnings

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Benefit amount based on earnings

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# PAYROLL TAX FINANCING

Program financed by those who benefit from the program:

- ☐ Payroll taxes from employees
- ☐ Payroll taxes from employers\*
- ☐ Taxes from self-employed

\*Participation in a national system of social insurance for workers is part of the cost of business all employers pay. Employers are able to list their Social Security taxes as a business expense. They are also permitted to integrate their pension plans with the Social Security benefits due the employee.

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## WEIGHTED BENEFITS

Goal of social adequacy as well as individual equity:

- ☐ Lower-paid workers receive higher benefits
- ☐ Increased benefits paid to families
- ☐ Social Security benefits raised millions of people above poverty level